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**COUNTY OF LOS ANGELES  
DEPARTMENT OF AUDITOR-CONTROLLER**

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TO: Mayor Michael D. Antonovich  
Supervisor Gloria Molina  
Supervisor Yvonne B. Burke  
Supervisor Zev Yaroslavsky  
Supervisor Don Knabe

FROM: J. Tyler McCauley   
Auditor-Controller

SUBJECT: **SHERIFF'S FISCAL YEAR 2006-07 CONTRACT CITY BILLING RATES  
REVIEW**

As requested by the Board, we have reviewed the Sheriff's Department (Sheriff) billing rates for Fiscal Year (FY) 2006-07 and the changes in the costs of the 14 unbilled Sheriff internal support units identified in our March 2005 report.

On March 10, 2005, we issued our Final Phase I report on the Sheriff's Contract City Billing practices. In that report, we concluded that the costs for 8 of the 14 internal support units not currently charged to contract cities for law enforcement services could be legally billed to contract cities under current Board policy. In September 2005, the Board approved the inclusion of the costs for seven of the eight chargeable units in the contract city law enforcement billing rates over a two-year period beginning in FY 2006-07. Your Board rejected the proposed billing rate increase for facilities costs and directed that the facilities rate be adjusted back toward the current rate.

The Board also directed the Auditor-Controller (A-C) to report on changes in the costs of all 14 unbilled Sheriff internal support units identified in our March 2005 report and any other chargeable costs attributable to contract cities.

**Scope**

Our review included examining the FY 2006-07 contract city "cost model," which calculates the proposed billing rates for the upcoming year, to ensure the costs for the seven additional Sheriff's units were appropriately incorporated into the contract city billing rates as approved by the Board. We also identified changes in the costs of the 14 previously unbilled Sheriff internal support units identified in our March 2005 report

and reviewed other chargeable costs. In addition, we spoke with Sheriff management/staff to discuss and obtain supporting documentation for any units where we noted significant cost changes from FY 2004-05 to FY 2006-07.

### **Summary of Findings**

Our review disclosed that the seven chargeable internal support units identified in our March 2005 report are appropriately phased into the FY 2006-07 contract city billing rates as approved by the Board. Phasing in the costs of the seven previously unbilled internal support units resulted in increasing the billing rates by 1.4% and will result in approximately \$2.7 million in additional costs being allocated to contract cities as indicated in Attachment II. The remaining seven support units and other chargeable costs continue to be appropriately included or excluded in the billing rates in accordance with Board policy.

Using the County's current cost model allocation procedures, the contract city billing rates increased by 5.8% from FY 2004-05 to FY 2005-06 and 5.1% from FY 2005-06 to FY 2006-07. As mentioned, 1.4% of the increase in FY 2006-07 is due to the phased-in costs from the seven additional support units. We noted that the changes in the estimated costs from FY 2004-05 to FY 2006-07 for all 14 previously unbilled internal support units are due primarily to negotiated salary raises for Sheriff personnel, increases or decreases in anticipated unit staffing/services and supplies costs and additional funding for certain units. Details are included in Attachment I.

### **Review of Report**

We have discussed the results of our review with Sheriff management who indicates general agreement with our findings.

Please call me if you have any questions, or your staff may contact Mike Pirolo at (626) 293-1110.

JTM:MMO:MP

c: David E. Janssen, Chief Administrative Officer  
Leroy D. Baca, Sheriff  
Sachi A. Hamai, Executive Officer  
Public Information Officer  
Audit Committee  
California Contract Cities Association  
Independent Cities Association

## **Sheriff Contract City Billing Rates Review Report**

### **Background**

The Sheriff's Department (Sheriff or Department) provides law enforcement services to the unincorporated areas of the County and to 40 cities in the County that contract with the Sheriff for those services. The services include all aspects of a completely functioning police department for the contracting city. For Fiscal Year (FY) 2006-07, the Sheriff anticipates law enforcement revenues from contract cities of approximately \$195 million.

Each year, the Sheriff negotiates and agrees upon service levels (i.e., number of deputies and other sworn/non-sworn staff) with contract city managers and uses a billing rate by position (e.g., deputy generalist, sergeant, etc.) to charge cities for law enforcement services. The billing rate is developed annually based on a County adopted "cost model" that focuses on the direct and indirect support costs of operating Sheriff's stations, reduced for costs which cannot be legally billed to contract cities per Government Code 51350 (Gonsalves) and for certain costs excluded per Board policy.

On March 10, 2005, we issued our "Sheriff Contract City Billing Practices – Final Phase I Report" which concluded that eight Sheriff internal support units' costs which have been previously excluded from the contract city billing rates could be legally billed under current Board policy. At the September 13, 2005 meeting, your Board approved including the costs for seven of the eight internal support units in the contract city billing rates. Your Board rejected the proposed billing rate increase for facilities costs based on square footage, and directed that the facilities rate be adjusted back toward the current 5% rate.

The costs for the seven approved units are to be phased in over a two-year period beginning in FY 2006-07. In addition, your Board directed the Auditor-Controller (A-C) to report on changes in the costs of all 14 unbilled Sheriff internal support units identified in our March 2005 report and include any other chargeable costs attributable to contract cities.

### **Scope/Objective**

Our review included examining the FY 2006-07 contract city cost model to ensure the costs for the seven Sheriff's units were appropriately incorporated into the contract city billing rates as approved by the Board. We also identified changes in the costs of the 14 previously unbilled Sheriff internal support units identified in our March 2005 report and other chargeable costs. In addition, we spoke with Sheriff management/staff to discuss and obtain supporting documentation for any units where we noted significant cost changes from FY 2004-05 to FY 2006-07.

### **Summary of Findings**

Our review disclosed that costs for the seven internal support units approved by the Board for inclusion into the billing rates based on our Final Phase I report are appropriately phased into the FY 2006-07 contract city billing rates. Phasing in the costs of the seven previously unbilled internal support units resulted in increasing the contract city billing rates by approximately 1.4% and will result in approximately \$2.7 million in additional costs being allocated to contract cities as indicated in Attachment II. Additionally, the remaining seven support units continue to be appropriately included or excluded in the billing rates based on Board policy.

Our review also disclosed that using the County's current cost model allocation procedures, the contract city billing rates increased by 5.8% from FY 2004-05 to FY 2005-06 and 5.1% from FY 2005-06 to FY 2006-07. Increases in costs are primarily due to negotiated salary raises for Sheriff personnel, increases/decrease in anticipated unit staffing and additional funding for certain units and appear appropriate. As mentioned, 1.4% of the increase in FY 2006-07 is due to the phased-in costs from the seven additional support units. The remaining costs for these seven units will be included in the FY 2007-08 billing rates. Details of our review are indicated below.

### **Newly Phased-in Units**

We reviewed the Sheriff cost model to ensure that costs for the seven internal support units are appropriately phased-in the FY 2006-07 contract city billing rates. We also identified the changes in the costs for the newly phased-in internal support units from FY 2004-05 to FY 2006-07. As discussed below, the costs for some units increased while others decreased over the period reviewed. However, in all cases including the costs for these units increased the billing rates to cities because the costs were previously excluded from the billing rates.

### **Field Operations Region Administration**

The Sheriff has three Field Operations Region (FOR) Administrative units which provide executive oversight and general support services to the patrol regions. In our March 2005 report, we indicated that FOR Administration costs are billable under current Board policy.

In FY 2006-07, total allocable FOR Administration costs are estimated to be \$5.9 million. This is a decrease of \$1.8 million (23.4%) from FY 2004-05 and is primarily due to a reduction in unit staffing and offset somewhat by an increase in wages for Sheriff personnel.

The Sheriff appropriately phased-in 50% of the allocable FY 2006-07 FOR Administration costs into the contract city billing rates as approved by the Board. Since FOR Administration costs were previously excluded from the contract city billing rates, we calculate that phasing in these costs will result in charging an additional \$975,000 to contract cities and the rate for each position purchased would increase by

approximately 0.5%. For example, the cost of each one-deputy 40-hour patrol unit purchased would increase from \$194,276 to \$195,303 or \$1,027 for FY 2006-07.

### **Internal Affairs Bureau**

The Internal Affairs Bureau investigates allegations of policy violations, major force incidents (e.g., officer-involved shootings, riots, etc.) and allegations of misconduct on the part of department personnel. In our March 2005 report, we concluded that Internal Affairs Bureau costs are billable under current Board policy.

In FY 2006-07, total allocable Internal Affairs Bureau costs are estimated to be \$7 million. This is an increase of \$700,000 (11.1%) from FY 2004-05 and is primarily attributed to negotiated wage increases for Sheriff personnel and additional Bureau staffing.

The Sheriff appropriately phased-in 50% of the allocable FY 2006-07 Internal Affairs Bureau's costs in the contract city billing rates as approved by the Board. We calculate that phasing in these previously unbilled costs will result in charging an additional \$419,000 to contract cities and increases the cost of a one-deputy 40-hour patrol unit by approximately \$419 (0.2%) for FY 2006-07.

### **Internal Criminal Investigations Unit**

The Internal Criminal Investigations unit reviews allegations of criminal conduct against Sheriff employees. The Internal Criminal Investigations unit's functions are similar to the Internal Affairs Bureau's functions (discussed above) except that the investigations are criminal in nature. In our March 2005 report, we noted that the unit's costs are billable based on current Board policy.

In FY 2006-07, total allocable Internal Criminal Investigations unit costs are estimated to be \$3.6 million. This is a decrease of \$300,000 (7.7%) from FY 2004-05 and is primarily due to a reduction in the Unit's staffing and is offset somewhat by an increase in wages for Sheriff personnel.

The Sheriff appropriately phased-in 50% of the allocable FY 2006-07 Internal Criminal Investigations Unit's costs into the contract city billing rates as approved by the Board. We calculate that phasing in the allocable, but previously unbilled advanced training costs will result in charging an additional \$220,000 to contract cities and increases the cost of a one-deputy 40-hour patrol unit by \$220 (0.1%) for FY 2006-07.

### **Advanced Training**

The Sheriff provides advanced training such as firearms, drug and alcohol recognition, medical/CPR certification, and traffic enforcement and collision response. In our March 2005 report, we noted that 25% of advanced training costs were excluded from the contract city billing rates. However, we determined that the 25% exclusion was not appropriate based on current Board policy.

In FY 2006-07, total allocable Advanced Training costs are estimated to be \$7 million. This is an increase of \$100,000 (1.5%) from FY 2004-05 costs and is mainly due to negotiated wage increases for Sheriff personnel.

The Sheriff appropriately phased-in 50% of the previously excluded Advanced Training costs into the contract city billing rates as approved by the Board. We calculate that phasing in these previously unbilled costs will result in charging an additional \$96,000 to contract cities and increases the cost of a one-deputy 40-hour patrol unit by approximately \$96 (0.05%) for FY 2006-07.

### **Leadership and Training Division Administration**

In our March 2005 report, we noted that the Leadership and Training Division Administration unit included two billable subunits; the Professional Development Bureau (PDB) and the Office of Independent Review (OIR). Details of our review of PDB and OIR costs are discussed below.

#### **Professional Development Bureau**

PDB is responsible for providing various training courses, educational opportunities, and leadership training for departmental staff. In our March 2005 report, we noted that a portion of PDB's costs are billable based on current Board policy.

In FY 2006-07, total allocable PDB costs are estimated to be \$925,000. This is an increase of \$161,000 (21.1%) from FY 2004-05 and is primarily due to negotiated wage increases for Sheriff personnel and additional unit staffing.

The Sheriff appropriately phased-in 50% of the allocable FY 2006-07 PDB costs into the contract city billing rates as approved by the Board. We calculate that phasing in the allocable, but previously unbilled PDB costs will result in charging an additional \$89,000 to contract cities and increases the cost of a one-deputy 40-hour patrol unit by \$89 (0.05%) for FY 2006-07.

#### **Office of Independent Review**

The OIR is a civilian oversight agency that was created by the Board of Supervisors in 2001 to monitor the Sheriff's Department and ensure that allegations of officer misconduct involving Sheriff's staff are investigated in a thorough, fair and effective manner. In our March 2005 report, we noted that OIR's costs are billable based on current Board policy.

In FY 2006-07, OIR costs are estimated to be \$1.3 million. This is an increase of \$200,000 (18.2%) from FY 2004-05 and is primarily due to negotiated wages increases for Sheriff personnel and additional unit staffing.

The Sheriff appropriately phased-in 50% of the FY 2006-07 OIR's costs in the contract city billing rates as approved by the Board. We calculate that phasing in previously unbilled OIR costs will result in charging an additional \$75,000 to contract cities and increases the cost of a one-deputy 40-hour patrol unit by \$76 (0.04%) for FY 2006-07.

### **Undersheriff - Bureau of Compliance**

The Bureau of Compliance is responsible for ensuring the Department's compliance with the Americans with Disabilities Act, Affirmative Action policies, the Bouman Consent Decree requirements, and handling various complaints about the Department. In our March 2005 report, we noted that the Bureau of Compliance's costs are billable based on current Board policy.

In FY 2006-07, the total allocable Bureau of Compliance costs are estimated to be \$6.7 million. This is an increase of \$600,000 (9.8%) from FY 2004-05 and is mainly due to negotiated wage increases for Sheriff personnel and additional unit staffing.

The Sheriff appropriately phased-in 50% of the allocable FY 2006-07 Bureau of Compliance costs into the contract city billing rates as approved by the Board. We calculate that phasing in these previously unbilled costs will result in charging an additional \$400,000 to contract cities and increases the cost of a one-deputy 40-hour patrol unit by \$401 (0.2%) for FY 2006-07.

### **Administrative Services Division Administration**

Administrative Services Division (ASD) Administration is comprised of two subunits, Division Administration and Financial Programs Bureau (FPB). In our March 2005 report, we noted that previously unbilled portions of the FPB are billable based on current Board policy.

In FY 2006-07, total allocable FPB costs are estimated to be \$7 million. This is a decrease of \$3.9 million from FY 2004-05 costs and is primarily due to a significant reduction in estimated services and supplies costs for FY 2006-07 and is offset somewhat by wage increases for Sheriff personnel.

We noted that the Sheriff appropriately phased-in 50% of the FY 2006-07 FPB costs into the contract city billing rates as approved by the Board. We calculated that phasing in these previously unbilled costs will result in charging an additional \$387,000 to contract cities and increases the cost of a one-deputy 40-hour patrol unit by \$388 (0.2%) for FY 2006-07.

### **Other Sheriff Support Units**

We reviewed the changes in the costs for the remaining seven internal support units and other support units that are billable to contract cities. We investigated any material changes and verified that the units' costs are appropriately included or excluded.

### **Facilities Services**

The Sheriff's Facilities Services and Facilities Planning Bureaus (facilities bureaus) are responsible for the maintenance and renovation of all Sheriff facilities including Sheriff stations serving contract cities.

In FY 2006-07, the total costs are estimated to be \$50.1 million. This is an increase of \$8.7 million (21%) from FY 2004-05. Sheriff budget staff indicated that the increase in costs is primarily to the allocation of additional funding for facility repairs and maintenance. Also, the Department recently opened the west tower of the Century Regional Detention Facility (CRDF) which will require additional maintenance costs. We noted that 5% of facilities costs continue to be included in the contract city billing rate calculation as directed by the Board in September 2005. The remaining 95% of facilities costs are excluded as been the historical practice.

As indicated in the "Other Issues" section below, we are evaluating alternative methodologies to allocate facility costs to contract cities and plan to discuss these potential billing approaches in a separate report.

### **Contract Law Enforcement Bureau**

The Contract Law Enforcement Bureau (CLEB) is responsible for the administration and oversight of the Sheriff's specialized law enforcement contracts for contract cities, regional transit agencies, the Los Angeles Community Colleges, the Superior Courts, and contracts with State and federal agencies. In our March 2005 report, we indicated that the current CLEB cost recovery was appropriate. The cost recovery methodology has not changed for the FY 2006-07 cost model and remains appropriate.

We noted that CLEB costs continue to be appropriately included in the contract city billing rates. In FY 2006-07, the total costs for CLEB are estimated to be \$2.3 million. This is an increase of \$100,000 (4.6%) from FY 2004-05 and is primarily due to negotiated wage increases for Sheriff personnel.

### **Data Systems Bureau**

The Data Systems Bureau (DSB) is responsible for the development, implementation, maintenance, coordination and management of the Sheriff's automated information systems. In our March 2005 report, we indicated that current DSB cost recovery was appropriate. The cost recovery methodology has not changed for the FY 2006-07 cost model and remains appropriate.

In FY 2006-07, the total DSB costs are estimated to be \$38.7 million. This is an increase of \$3.9 million (11.2%) from FY 2004-05 and is primarily due to negotiated wage increase for Sheriff personnel and additional Bureau staffing. We also noted increases in salaries and services and supplies costs related to the Department replacing outdated computers and other projects.



### **Aero Bureau**

Aero Bureau responsibilities include providing patrol support, homeland security, covert surveillance support, rapid transport and Search and Rescue operations throughout the County. In our March 2005 report, we indicated that current Aero Bureau cost recovery was appropriate. The cost recovery methodology has not changed for the FY 2006-07 cost model and remains appropriate.

In FY 2006-07, the total Aero Bureau costs are estimated to be \$14.7 million. This is an increase of \$2.7 million (22.5%) from FY 2004-05. Sheriff management indicated that the increase in costs is primarily due to negotiated wage increases for Sheriff personnel, additional unit staffing, a rise in helicopter repair/maintenance costs, and from increasing operation of their "Air Rescue 5" team from four to seven days a week.

### **Office of the Assistant Sheriff**

The Office of the Assistant Sheriff provides executive oversight for the divisions within the Department including the Custody Services Division, the Court Services Division, the Detective Division, and the three Field Operations Regions. In our March 2005 report, we noted that costs relating to the Office of the Assistant Sheriff cannot be charged to contract cities under existing law and that excluding those costs from the contract city billing rates is appropriate. Office of the Assistant Sheriff costs continue to be excluded from the FY 2006-07 cost model. Total estimated costs remained at \$1.8 million from FY 2004-05 to FY 2006-07, since negotiated wage increases for Sheriff personnel were offset by a decrease in unit staffing.

### **Office of the Sheriff**

The Office of the Sheriff provides executive oversight for the entire Department. The Office's primary responsibilities include providing aid in preparing for meetings, reviewing and summarizing reports for the Sheriff, and providing other assistance for the Sheriff. In our March 2005 report, we noted that unbilled costs relating to the Office of the Sheriff cannot be charged to contract cities under existing law. Office of the Sheriff costs continue to be appropriately excluded from the contract city billing rates. Total estimated costs remained at \$2.2 million from FY 2004-05 to FY 2006-07, since negotiated wage increases for Sheriff personnel were offset by a decrease in the Office's staffing.

### **Sheriff Headquarters**

The Sheriff's Headquarters Bureau functions as the Department's international liaison and oversees the Department's community relations. In our March 2005 report, we indicated that the costs for the bureau were appropriately excluded from the cost model based on Board policy. We noted that the bureau's costs continue to be appropriately excluded from the contract city billing rates.

In FY 2006-07, the total Sheriff Headquarter's costs are estimated to be \$4.2 million. This is a decrease of \$3.1 million (42.4%) from FY 2004-05 and is mainly due to a significant reduction in estimated services and supplies costs and unit staffing, offset somewhat by wage increases for Sheriff personnel.

### **Other Billable Support Units**

As directed by the Board, we also reviewed the costs for other units that have historically been billable to contract cities such as the Personnel Services unit, Fleet Management, Fiscal Administration and the Employee Support Services unit. Our review disclosed that the units' costs are appropriately incorporated into the FY 2006-07 billing rates. In addition, based on discussions with Sheriff management and reviews of supporting documentation, cost increases or decreases from FY 2004-05 to FY 2006-07 appear appropriate.

### **Other Issues**

During the course of our review, we noted a few areas where the Sheriff could improve procedures for identifying and calculating costs that are included in the contract city billing model. We plan to address these issues, including a discussion on alternative billing approaches for facilities costs, and provide recommendations for improvement in a separate report within the next 60 days. It should be noted that these issues do not impact the FY 2006-07 billing rates.

**Sheriff's FY 2006-07 Contract City Billing Rates Review**  
**Impact of Phasing in Billable Services**  
**(Rounded)**

Unit/Function	Est. Total	Add'l Amt Charged to CC <sup>1</sup>	Est. 40-Hour	Cumulative New Rate	% Increase Over Current Rate
	Allocable Costs FY 2006-07 <sup>2</sup>		Deputy Rate Increase		
FY 2006-07 One-Deputy 40-Hour Patrol Unit Rate - Before Phased-In Costs	N/A	N/A	N/A	\$ 194,276	N/A
FOR Administration	\$ 5,895,000	\$ 975,000	\$ 1,027	195,303	0.5%
Internal Affairs	6,982,000	419,000	419	195,722	0.2%
Internal Criminal Investigations	3,650,000	220,000	220	195,942	0.1%
Advance Training	6,973,000	96,000 <sup>3</sup>	96	196,038	0.1%
Leadership and Training Administration (Prof Dev Bureau and OIR)	2,263,000	164,000 <sup>4</sup>	165	196,203	0.1%
Undersheriff (Bureau of Compliance)	6,746,000	400,000	401	196,604	0.2%
Admin. Services Division Administration (Financial Programs: Item Control, Special Accts., etc.)	7,049,000	387,000	388	196,992	0.2%
Total:	<u>\$ 39,558,000</u>	<u>\$ 2,661,000 <sup>5</sup></u>	<u>\$ 2,716</u>	<u>\$ 196,992 <sup>6</sup></u>	<u>1.4%</u>

**Footnotes:**

- 1 - Contract Cities (CC). The additional amounts charged to cities could vary somewhat depending on the amount and mix of services cities purchase.
- 2 - Detailed explanations on changes (increases/decreases) in allocable costs for each newly phased-in unit are included in Attachment I.
- 3 - Prior to FY 2006-07, only 75% of Advanced Training costs were billed. However, our review determined that all Advanced Training costs could be billed. The \$96,000 increase is based on phasing in the remaining 25%.
- 4 - Only costs from the Professional Development Bureau (PDB) and Office of Independent Review (OIR) sub units of the Leadership and Training Division Administration are billable. Total allocable costs are calculated to be \$925,000 for PDB (which has been reduced for approximately \$361,000 in training reimbursements) and \$1,338,000 for OIR. Including these costs resulted in an additional \$89,000 and \$75,000 being charged to contract cities for PDB and OIR, respectively.
- 5 - In our July 15, 2005 report, we concluded that including the costs for the eight chargeable internal support units could result in charging an additional \$6.7 million to contract cities. The difference between the \$6.7 million and the \$2.7 million indicated above is primarily due to phasing in the chargeable units over a two-year period, the Board's rejection of the proposal to increase facility costs, increases/decreases in unit staffing and adjustments to staffing and services and supplies costs.
- 6 - In total, the contract city billing rates for a one-deputy 40-hour patrol unit increased from \$187,412 to \$196,992 or \$9,580 (5.1%) from FY 2005-06 to FY 2006-07. As indicated in Attachment I above, approximately 1.4% of the increase is due to the phased-in costs from the seven additional support units.